

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT AND TRANSPORTATION**

**Call to Order:** By **CHAIRMAN BOB DAVIES**, on January 8, 2001 at  
9:00 A.M., in Room 317-B Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Bob Davies, Chairman (R)  
Sen. Jack Wells, Vice Chairman (R)  
Rep. John Brueggeman (R)  
Rep. Monica Lindeen (D)  
Sen. Bea McCarthy (D)  
Sen. Corey Stapleton (R)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Greg DeWitt, Legislative Branch  
Mary Beth Linder, OBPP  
Cyndie Lockett, Committee Secretary  
Amy Sassano, OBPP

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: Overview - Legislative  
Approval of Internal Service  
Fees and Charges, 1/8/2001;  
Department of Administration,  
1/8/2001

Executive Action:

***{Tape : 1; Side : A; Approx. Time Counter : 0 - 30}***

**Chairman Davies** called the meeting to order.

**Mr. DeWitt, Legislative Fiscal Division** opened with discussion and handouts on legislative approval of internal service fees and charges. He first explained that the subcommittee will be listening to programs that are funded with internal services funds. This means that one agency charges service to another agency or the public. He used **EXHIBIT (jgh05a01)** to explain the internal services funds. He also explained how the internal service funded programs establish how their rates and their budgets come together.

He listed **EXHIBIT (1)** the statutes that give the Legislature direction on what they need to do and showed the Office of Management and Budget sheets that stated rules. There were also diagrams to show the finance system.

**Mary Beth Linder, Office of Budget and Program Planning** gave an overview of what is expected of the subcommittee and stressed how important it is that they understand the process that they must go through. She told the subcommittee that they will vote on every issue in HB 2 environment.

***{Tape : 1; Side : B; Approx. Time Counter : 30 - 60}***

**Mrs. Linder** continued to explain the expectations of the committee and tried to hit on all the basics of the Department of Administration.

#### **Budget Presentation 2003 Biennium**

**Barbara Ranf, Director of Department of Administration**, gave information on her department. **EXHIBIT (jgh05a02)** PowerPoint slides helped her to define the mission statement, the benefits of centralized services, the organization structure, the department services, employees by division, expenditures by division, expenditures by fund source, department of administration governing groups, general fund new proposals, proprietary funds, divisions with proprietary programs, 1999 rate approval, and the progress report.

***{Tape : 2; Side : A; Approx. Time Counter : 0 - 30}***

Mrs. Ranf, continued to define the categories stated above.

**Budget Presentation 2003 Biennium**

**Marvin Eicholtz, Administrator of Procurement and Printing Division, Department of Administration**, distributed a handout **EXHIBIT(jgh05a04)** with his PowerPoint slides on it. He explained his job and what he does. He briefly touched on all the programs and discussed state procurement function.

**Mr. Eicholtz** talked about the cost of energy and how his agency has a small proprietary account. The account is set up so money that comes through the agency then pays the natural gas companies. They prioritize fueling for the State of Montana and have a fueling card that they issue. A procurement card basically like a charge card but with more regulation.

**Mr. Eicholtz** then started talking about operations that are bigger and involve Proprietary accounts. Publications and Graphics is a proprietary account. In his operations they determine if they have the capabilities to do the task asked of them and if not, they send it out to the private sector. They have three quick copy centers and the funding on that is straight 60-day working capital. Central Mail has been reorganized into **Mr. Eicholtz's** agency. Inner agency mail is called "dead head" mail because it's a fixed allocation as a rate. He also manages the property and supplies which involves central stores and federal & state surplus. This too is operated with a 60-day working capital rate.

The legislature has never approved specific rates for his programs. There are so many rates to look at, with most of them being under a dollar. In past the legislature approved the 60-day working capital rate fee for these proprietary accounts which **Mr. Eicholtz** talked about. He wanted to point out that his program is different from most proprietary funded programs because they are demand driven. They do what other agencies ask them to do. He believes these agencies are a great system of checks and balances because they always watch the rates **Mr. Eicholtz's** program is charging and let him know when its not okay **EXHIBIT(jgh05a03)**.

**{Tape : 2; Side : B; Approx. Time Counter : 30 - 60}**

**Mr. Eicholtz** requested a programmer and explained the need for this position. **Mr. DeWitt** stated he would walk through the budget analysis to explain to the subcommittee what **Mr. Eicholtz** was requesting with the programmer and why LFD had an issue.

**Rep. Lindeen** asked about how vendors are notified when **Mr. Eicholtz's** program sends out bids. She wanted to see them notified by email. **Mr. Eicholtz** said that the idea was a good one, but they didn't have the capability yet.

**Sen. McCarthy** then asked **Mr. Eicholtz** how he let people know about state auctions. He replied that is done through the media, newspapers, TV, and mailing lists.

**Mr. DeWitt**, directed the subcommittee to turn to page A-147 in the budget analysis. He explained the page by saying there was a description of the program, a description of the funding, and a table that talks about HB 2, the stuff that gets appropriated. Then on page A-148 he explained the Present Law Adjustments for HB 2 and that **Mr. Eicholtz** is dropping DP 9. He also explained his handouts **EXHIBIT (jgh05a05)**.

**Sen. Stapleton** wanted to let **Mr. DeWitt** know that he appreciated the handouts on the historical data as well as the Vacancy Savings data. **Sen. Stapleton** wanted to suggest to the committee that they take this information into account when making their decisions.

**Mr. DeWitt** reminded the subcommittee that they have three decisions they must decide on. They must approve the base plus the statewide present law adjustments, decide on each present law adjustment and new proposal when they do executive action, and on any additional savings they may want to do.

**Mrs. Linder** talked about how each program comes before the subcommittee and explains what they do. She told the subcommittee that they decide on the rates and she feels that the 60-day working capital needs to be voted into law for this agency. Because there may be a need in the year for **Mr. Eicholtz** to change a rate from fifty cents to fifty-two cents. She also explained if the subcommittee gives this agency a set rate and the director wants to lower it to be competitive or to be able to offer a different service he can't do anything about the rate for 24 months. She also wanted to say there is not an inflation factor or a fixed cost factor if **Mr. Eicholtz** changed the rate on one of his services.

**Sen. Wells** questioned if there was ever a reduction in rates.

*{Tape : 3; Side : A; Approx. Time Counter : 0 - 30}*

**Mrs. Linder** let **Sen. Stapleton** know it does happen.

**Mr. DeWitt** explained the LFD issues stating that the rates the legislature approves are the maximum and they can charge anything below that maximum rate. He also told the committee what they needed to vote on. **Mrs. Linder** clarified there are two different kinds of funds in a proprietary environment. If the fund number starts with 065 it's an internal service fund. This means that a state department is charging another state department. The other fund you run into is one that starts with 060 which refers to enterprise. Examples of enterprise funds are Liquor Operations and Lottery.

**Sen. Stapleton** asked if there was a benchmark that **Mr. Eicholtz** and his department strived for. **Mr. Eicholtz** stated the 60-day working capital was the benchmark, but their goal was to stay right at 45 days.

**Mr. DeWitt** explained that on page A-169 there were rates being proposed for square footage. He explained that if the subcommittee didn't like the proposed rate they could lower or raise it. He gave the committee options. He also said the subcommittee doesn't actually approve the decision packages for proprietary funded programs.

**Sen. Stapleton** asked for some clarification on why the subcommittee doesn't vote; his understanding was they do. **Mr. DeWitt** explained that for HB 2 issues they vote on **decision packages** for proprietary funded programs they only approve the rates.

**Sen. McCarthy** asked **Mr. Eicholtz** for clarification on janitorial supplies.

**Sen. Stapleton** asked **Mr. Eicholtz** about the procurement cards. What kind of fee? **Mr. Eicholtz** answered that it was a \$1 fee for each card. **Mr. Eicholtz** stated it was basically like a credit card. **Sen. Stapleton** then asked what is the A.P.R. **Mr. Eicholtz** answered that the balance is paid so they don't pay any interest.

**ADJOURNMENT**

Adjournment: 11:45 A.M.

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REP. BOB DAVIES, Chairman

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CYNDIE LOCKETT, Secretary

BD/CL

**EXHIBIT** (jgh05aad)